

Service Purchase Costs to Change January 2, 2013

Effective January 2, 2013, the calculation process used to determine the cost of purchasing additional years of certain types of service credit will be changed. The new service purchase provisions of Act No. 278 of 2012, the recently enacted retirement reform legislation, will affect actively employed members of the South Carolina Retirement System (SCRS), the Police Officers Retirement System (PORS), the General Assembly Retirement System (GARS), and the Judges and Solicitors Retirement System (JSRS) who wish to purchase service credit. Retired and inactive members are not eligible to purchase service credit.

If you are thinking about making a service purchase and would like to do so before the new service purchase provisions take effect, the Retirement Systems must receive your service purchase request prior to January 2, 2013. Payment for the service must be received by the Retirement Systems no later than March 1, 2013. You may request a service purchase invoice through our secure, online [Member Access feature](#) or by completing a [Request for Service Purchase Cost \(Form 2101\)](#) and submitting it to the Retirement Systems. If you submit a paper form, please note that the Retirement Systems must receive the form prior to January 2, 2013, for the current service purchase provisions to apply.

The current costs to purchase various types of service credit may not accurately reflect the true cost to the retirement system of the future additional benefit a member will receive as a result of a service purchase. In many instances, the retirement system subsidizes the cost of the service purchase. This subsidization has a cumulative negative effect on the system's funding level by increasing the systems' liabilities. Requiring members to pay the actuarial cost of a service purchase helps protect the system's funding level by pricing the purchase at an amount that is the actuarial equivalent of the benefit received.

Actuaries use historical data and certain assumptions to determine the present value of the cost of future additional benefits the member will receive as a result of the purchase. The determination of the actuarial cost of a service purchase involves complex calculations that include a member's current age, service credit, earnable compensation, and the type of service being purchased.

As a general rule, the earlier a service purchase is made, the less the cost will be. The actuarial cost for a younger member with fewer years of service credit will not be as high as for a member who is nearer to retirement since the retirement system will have use of those funds for investment purposes for a longer period of time before the system has to pay benefits to the member.

Act No. 278 of 2012 also specifies a minimum service purchase cost. The cost of a service purchase must be at least 16 percent of a member's career highest earnable compensation for each year of qualified service being purchased and at least 35 percent of a member's career highest earnable compensation for each year of nonqualified service being purchased.

If you have any questions or need additional information about the service purchase provisions that take effect January 2, 2013, please contact the Customer Services Call Center at 803-737-6800, toll free at 800-868-9002 (within S.C. only), at www.retirement.sc.gov/contact/email, or by live chat by selecting the "Customer Service Chat Now" button in the header of our homepage (www.retirement.sc.gov).